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GLOBAL FUND EVALUATES SUPPLY OPERATIONS, EVOLVES WAMBO.ORG PILOT

Initiatives to bolster Supply Operations were at the center of the Global Fund's 42nd Board Meeting in Geneva, which concluded Friday, November 15.

The Board was updated on progress toward, and remaining challenges in, implementing the [Market Shaping Strategy](#) (MSS), which aims to improve short- and long-term affordability and supply continuity of health products. The Board also approved the evolution of [a pilot project](#) allowing government and non-government development organizations to use wambo.org, the Global Fund's online procurement tool, to procure up to \$50 million (in total value) of products, services and functionalities through wambo.org.

The Secretariat underscored the significance of Supply Operations given the growing volume of products required to achieve the 2030 Sustainable Development Goals and end the three epidemics. The [Global Fund spends](#) nearly half of all of its investments on procuring and managing medicines and health products. That totalled roughly \$2 billion in 2017. With its Supply Operations Update, the Secretariat informed the Board of the Technical Evaluation Reference Group's (TERG) Mid-Term Review of the updated MSS, which was originated by the Board in 2015.

With the MSS, the Global Fund attempts to leverage "our position to facilitate healthier global markets for health products," in order to, among other goals, ensure continued availability and affordability of products, promote consistent quality standards, and support efforts to stimulate innovation. In practice, that means using various tools, including a [Pooled Procurement Mechanism](#) (PPM) and wambo.org, to improve the market in favor of the health products countries need. That can involve using the scale of the purchases to push for lower prices or the promise of future purchases to ensure a constant supply.

The PPM that is central to these efforts has demonstrated a strong performance on foundational elements, including strategic sourcing capabilities and the successful procurement of quality and affordable products. The TERG did identify missed opportunities for steering innovation and accelerating new product introduction across all procurement channels, and the lack of a comprehensive and systematic approach to promote the sustainability of procurement.

The Strategy Committee identified three priority areas within the MSS moving forward:

- Extending benefits to ensure that countries can transition without moving backwards on the availability, price and quality of health products;
- Enhancing collaboration with partners to foster innovation and accelerate the pace of new products;
- Assisting partners with cost-effectiveness analysis to inform product selection, with an eye toward values other than just price.

The Secretariat has also proposed holding annual strategic review meetings with key partners and stakeholders on the MSS and providing another implementation update to the Strategy Committee in a year.

The Developing Countries Constituency echoed the TERG's concerns over the sustainability of procuring quality medicines within national procurement channels and requested a comprehensive analysis of the issue. The constituency also called for the Global Fund to "support country interventions aiming to ensure long-term access to commodities procured through Global Fund mechanisms, such as ensuring national registration and quality of procured medicines, promoting generic competition, tackling affordability and improving transparency of information."

The Supply Operations Update also glanced at the issue of people-centric supply chains, which are meant to enable effective, efficient and sustainable people-centric in-country distribution of health products. The idea is to focus on the links between the supply chain and actual health outcomes and then strengthen sectors of that chain that should improve people's access to health products. The Secretariat notes that most efforts are still in the early stages. But the Supply Operations Update underscored that the Secretariat is focused on investments that will promote sustainable governance, private sector engagement and innovation in the supply-chain system, as well as identifying the areas of investment in the supply chain that can deliver the greatest immediate return.

The Developing Countries Constituency asked for more information on the timeline for introducing people-centric supply chains, noting, "currently all supply-chain models are district warehouse or health facility-based supply chains and do not measure direct supply to people who use the health product."

The Supply Operations Update also addressed wambo.org, the Global Fund's online procurement tool, noting in particular that it might help support successful country transitions. But the flagship procurement mechanism was the subject of its own decision at the Geneva meeting, when the Board agreed to continue the evolution of a pilot initiative approved in May 2017 to allow a limited number of transactions by current Principal Recipients using domestic funding via wambo.org. By October, the pilot had facilitated 21 transactions by 9 buyers in 6 countries. The Secretariat expects 15 or more buyers in additional countries to register and place orders before the end of the year.

The Board's latest decision makes wambo.org available for non-Global Fund-financed orders by governments and non-government development organizations in Global Fund-eligible and -transitioned countries for all products, services and functionalities with an initial \$50-million cap. The Strategy Committee has the authority to raise the cap on a pilot basis ahead of consultations in 2020. The evolution

of wambo.org looks to address one of the major lessons from the pilot, that its scope was too restrictive.

It also reflects a recognition that meeting Agenda 2030 targets will require increased procurement of affordable, quality products by domestic and other non-Global Fund sources. By allowing them to use wambo.org, the Secretariat hopes they will benefit from improved access, quality assurance, lower prices and administrative efficiency that wambo.org might provide over other forms of procurement, while ensuring a stable supply of medicines and products — particularly in countries that are transitioning away from Global Fund funding.

The Secretariat said it would also continue to work to expand the products available through wambo.org. Meanwhile, the effort shouldn't cost the Global Fund much. The Secretariat said the addition of orders from governments and non-government development organizations brings little additional transaction costs for the Global Fund, even as it should offer buyers greater transparency and consistency.

The proposed evolution of wambo.org comes at a particularly important moment, with approximately two-thirds of the grant portfolios developing funding requests and undergoing grantmaking next year for the 2020-2022 allocation cycle.

The Secretariat's proposal has not gone without some criticism. The Private Sector Constituency had previously voiced concern that not enough had been done to explore the potential impact of the expansion on the Global Fund and called for a fuller risk-mitigation strategy. They concluded it was "premature to be taking up the question of expansion." And while the Communities Constituency welcomed the expansion, it requested an evaluation of wambo.org and "specific analysis on the predicted impacts of wambo.org on procurement in transitioning and co-financing countries."

The Secretariat also acknowledged the expansion will not solve all of the problems that were raised in the evaluation of the wambo.org expansion pilot, specifically the pre-payment requirement for wambo.org — which calls for 100 percent upfront payment to eliminate any risk to the Global Fund or to procurement service agents — and legislative barriers due to national procurement regulations that prevent the use of services like wambo.org.

The Secretariat is continuing to monitor those legislative barriers and working with countries to find potential solutions. On the pre-payment front, the Secretariat has proposed an update to the Audit and Finance Committee and should be bringing a proposal for decision in 2020.

The Secretariat also plans to conduct a multi-stakeholder consultation with Board constituencies in early 2020, which will include an update on the prepayment and legislative challenges. That will be followed by an independent evaluation of the pilot in 2022.

The African Constituency, while acknowledging that the expansion of wambo.org would not solve all procurement problems, called it "one concrete action the Global Fund can easily and immediately implement to support strong, efficient, compliant, quality-assured non-grant procurement and maximize countries' ability to achieve greater impacts against the three epidemics."

Further reading:

- [The Global Fund's Market-Shaping Strategy](#) (2016-2021)
- From GFO Issue 311, 5 May 2017, '[wambo.org: Global Fund PRs may place a limited number of orders using domestic financing](#)'
- From GFO Issue 294, 17 August 2016, '[wambo.org: The new online marketplace](#)'
- From GFO Issue 323, 8 November 2017, '[Global Fund's wambo.org platform has not achieved projected savings, nor improved lead times for orders, OIG says](#)'
- The Global Fund's [Procurement Tools](#)

- The Global Fund's [Focus on Sourcing and Procurement](#).

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